



August 6, 2009

Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Dr. Bernanke:

On July 22nd, 2009, the Federal Reserve Board published an interim final rule amending Regulation Z to include some of the provisions of the recently enacted Credit Card Accountability, Responsibility and Disclosure (CARD) Act. It seems that the spirit and intent of the CARD Act was to curtail the unscrupulous and unethical activities of certain credit card issuers. However, the recently released interim final rule appears to have gone well beyond that spirit and intent and is now being applied to ALL open-end loans.

FirstDay Federal Credit Union's membership base consists, in large part, of teachers and other education-based employees such as school bus drivers and cafeteria workers. These professions were historically paid only during the regular school year, not year-round. While this 9-month pay practice is far less prevalent in 2009, it does still occur, especially for those non-teaching, education-based employees. FirstDay's membership has relied heavily on our ability to offer loan products that allowed the flexibility of timing their loan due dates to the frequency of their payroll and the dates they were paid, and that also allowed payments to be "skipped" during the summer months when they were not working and, in many cases, not getting paid. With this in mind, FirstDay has always offered open-end loan products – quite literally it would have been impossible for us to offer our members these loan products without using the "open-end" option.

Fast forward several DECADES to 2009 to the noble cause of attempting to eliminate the practice of double billing, unexplained interest rate hikes, and mystery fees, and you have the Credit CARD Act. As a consumer I have experienced firsthand an unexplained rate hike which ultimately led me to close a credit card account with a major bank. As someone who has worked in the credit union industry for more than 20 years I can say with a great deal of certainty that credit unions work hard to help consumers avoid these financial traps. I applaud Congress for finally taking a stand against this type of activity. Those organizations that rely on these tactics to earn a profit are no better than loan sharks.

Unfortunately, the Act is being applied to ALL open-end loans, not just the problem areas. For FirstDay and its members this will mean significant changes in the way this credit union operates, and may lead to a reduction or outright elimination of certain product features upon which our members rely.

Historically credit unions have provided a safe haven for consumers. Since the near-collapse of the financial system last year consumers have turned to their local credit unions in record numbers. The reason for this is simple: confidence. Consumers are confident that their credit union will provide them with a secure place to save AND borrow. Consumers are confident that their credit unions are NOT engaging in behavior intended to separate them from their paychecks. And, it seems, consumers have confidence in knowing that they can, for the most part, get many of the same services available at the big banks but still have to option of talking to the people in charge.

This interim rule, as it currently exists and within its current compliance timeline, could lead to a significant erosion of that consumer confidence. FirstDay offers loan repayment schedules that include everything from year round, weekly payments to monthly payments that “skip” during the summer months. In the overwhelming majority of consumer installment loans, FirstDay members opt for payments to be made through payroll deduction or direct deposit. In these cases the loan payments are posted automatically based on the schedule of their payroll, NOT at a pre-determined time each month. This is done for the convenience of FirstDay members – a convenience they seem to appreciate.

For FirstDay members who choose repayment schedules that are more frequent than monthly, the interim rule would require notification, which members would not have received in the past, in intervals that would be extremely confusing. For instance, if a member’s repayment schedule is weekly, according to the interim rule FirstDay would need to send them a notice three weeks in advance. In the mean time that same person has two other payments that are due. Bi-weekly and semi-monthly payment schedules would be affected similarly.

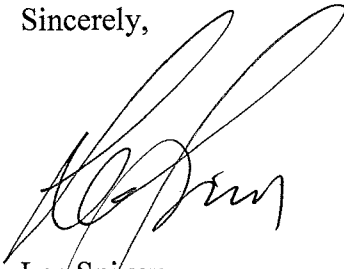
In addition to the confusion these notices would create, the implementation of such a major overhaul would be costly and impossible to achieve in such a short time frame – all of this to solve a problem with credit cards. Frankly it seems that the last thing anyone would want at this point in time is to increase the cost of borrowing, to undermine what little confidence consumers have right now in the one industry that is definitely consumer friendly, or to cause confusion and frustration for borrowers.

I encourage you to use whatever authority you may have to postpone the implementation of the interim rule involving open-end credit until after the summer Congressional recess. This would allow time for credit unions to make the necessary system adjustments and educate our members.

It would also provide Congress sufficient time to revisit the issue to ensure that it is not causing significant unintended consequences.

Thank you for your time and consideration of this vital issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lee Spivey', with a large, sweeping flourish extending upwards and to the right.

Lee Spivey
President/CEO

cc: President Barack Obama
Senator George Voinovich
Senator Sherrod Brown
Representative Michael Turner (Ohio – 3rd District)